

**STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS
www.corp.ca.gov**

INFORMATION TO ASSIST PERSONS APPLYING FOR A BROKER-DEALER CERTIFICATE

The following information is to assist persons applying for a broker-dealer certificate and desiring general background information concerning the rules and regulations of the California Corporations Commissioner ("Commissioner") as they pertain to licensing of broker-dealers. No interpretation of any law or regulation is intended.

1. STATUTE & RULES

The laws and rules governing broker-dealers in California are found under the California Corporations Code ("Code") and Title 10, Chapter 3, California Code of Regulations ("CCR"), respectively. The sections of the law that relate specifically to broker-dealers and investment advisers begin at Section 25200. The other sections of the law relate to general securities law. The rules for broker-dealers and investment advisers begin at Section 260.200.

All applicants should obtain copies of the laws and rules. Persons issued certificates are charged with the responsibility of familiarizing themselves with the applicable sections of the laws and rules. The California Corporations Code and California Code of Regulations may be found through links on the Department of Corporations ("Department") web site at www.corp.ca.gov. The links are www.leginfo.ca.gov/calaw.html and ccr.oal.ca.gov, respectively. The rules are also available at the offices of County Clerks or County Law Libraries and 100 state depository libraries. It is available in loose-leaf form from the publisher, West Group. For information, contact West Group at 1-800-888-3600.

2. DEFINITIONS

(a) Broker-dealer is defined in Code Section 25004 and means any person engaged in the business of effecting transactions in securities in this state for the account of others or for his own account. Broker-dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of his own issue. (This is not a complete definition. See Section 25004).

(b) Agent is defined in Code Section 25003 and means any individual, other than a broker-dealer or a partner of a licensed broker-dealer, who represents a broker-dealer or who for compensation represents an issuer in effecting or attempting to effect purchases or sales of securities in this state. (This is not a complete definition. See Section 25003).

(c) Compliance Supervisor is defined in CCR Section 260.217(e) and means every individual who has responsibility of ensuring that reported agents comply with the Corporate Securities Law of 1968 and the rules thereunder.

3. FORMS

FORM BD – The Uniform Application for Broker-Dealer Registration ("Form BD") should be filed electronically with the Central Registration Depository ("CRD") if the applicant is a member of the National Association of Securities Dealers ("NASD"). If filing directly with the Commissioner, Form BD is available on the Department's web site or the NASD's web site at www.nasdr.com/3420d_adopted.asp. The form can also be obtained by contacting the local office of the Securities and Exchange Commission ("SEC") or from the SEC's Publication Unit in Washington, D.C. by calling (202) 942-4046 or by sending a written request to: Publications Unit, U.S. Securities and Exchange Commission, 450 5th Street, N.W., Washington D.C., 20549, or by sending an e-mail to publicinfo@sec.gov. There is no charge.

APPLICATION BY NOTIFICATION – If you are a broker-dealer that (a) has a currently effective registration as a broker-dealer under the Securities Exchange Act of 1934, (b) is a member in good standing of the New York Stock Exchange ("NYSE") or the American Stock Exchange ("AMEX") and (c) has not had a certificate as a broker-dealer, investment adviser or agent revoked or denied under the Corporate Securities Law of 1968 or any predecessor statute (unless waived by rule or order of the Commissioner), you may file an Application by Notification pursuant to Code Section 25211(b) (Form 260.211.1). The application by notification may not be used if an application for registration or membership is pending.

FORM U-4 – The Uniform Application for Securities Industry Registration or Transfer Form (“Form U-4”) should be filed electronically with the Central Registration Depository (“CRD”) if the applicant is a member of the National Association of Securities Dealers (“NASD”). If the applicant is not filing with CRD, Form U-4 should be filed directly with the Commissioner. Form U-4 is available on the Department’s web site or the NASD’s web site at www.nasdr.com/3420d_adopted.asp.

4. FEES

(a) A \$300 application fee is required to file an application for a broker-dealer certificate. This fee should be remitted directly to the Central Registration Depository (“CRD”) if filing through CRD or directly to the Commissioner if not filing through CRD.

(b) A \$25 reporting fee is required for each agent. This fee should be remitted directly to the Central Registration Depository (“CRD”) if filing through CRD or directly to the Commissioner if not filing through CRD.

5. QUALIFICATION REQUIREMENTS [CCR 260.217]

(a) Every individual who is a broker-dealer, or a compliance supervisor or reported agent of a broker-dealer (1) must have passed, within two years prior to the date of filing the application for, or the issuance of, a broker-dealer license, or becoming a compliance supervisor or reported agent of a licensed broker-dealer, the Series 63/Uniform Securities Agent State Law Examination (“Series 63 Examination”) or the Series 66/Uniform Combined State Law Examination (“Series 66 Examination”), both of which are administered by the National Association of Securities Dealers (“NASD”) and (2) must meet all applicable examination requirements of the Securities and Exchange Commission and the self-regulatory organizations of which the broker-dealer is a member.

(b) The requirements of CCR Section 260.217(a)(1) do not apply to an individual (1) who was a broker-dealer licensed under the Code (or a compliance supervisor or “reported agent” of a broker-dealer licensed under the Code) on May 22, 1989, or (2) who has been an active broker-dealer (or a compliance supervisor or reported agent of a broker-dealer) without an interruption of two or more years since passing the Series 63 Examination or the Series 66 Examination or not being required to take the Series 63 Examination or the Series 66 Examination pursuant to CCR 260.217(b)(1). “Reported agent” means every agent employed by a broker-dealer and whose employment has been reported in accordance with CCR Section 260.210.

Applicants that must satisfy the qualification requirements set forth under CCR Section 260.217(a)(1) can apply by contacting the National Association of Securities Dealers (“NASD”) at 9513 Key West Avenue, Rockville, MD 20850.

6. CAPITAL REQUIREMENTS [CCR 260.216.12]

CCR Section 260.216.12 imposes limitations on minimum net capital and aggregate indebtedness. No broker-dealer shall permit its aggregate indebtedness to all other persons to exceed the limitations of 17 CFR 240.15c3-1 and Appendices A through D thereto (Rule 15c3-1) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 and every broker-dealer shall have net capital necessary to comply with the conditions set forth in that rule.

7. SUBMISSION OF AN APPLICATION MUST INCLUDE:

NOT FILING BY NOTIFICATION - (a) A complete and properly executed application on Form BD prepared in accordance with the form instructions, (b) \$300 filing fee and (c) all items listed under “Additional Information” in the Instructions for Completing and Filing Form BD not Filing by Notification (Form 260.211).

FILING BY NOTIFICATION - (a) A completed and properly executed Application by Notification (Form 260.211.1), (b) \$300 filing fee, (c) Statement of Citizenship, Alienage, and Immigration Status form, if applicant is a sole proprietorship and (d) all exhibits listed in Item 6 on the Application by Notification (Form 260.211.1).

8. SUCCESSIONS

In the event that a broker-dealer succeeds to and continues the business of a broker-dealer holding a current certificate, both the predecessor broker-dealer and the successor broker-dealer should follow Rule 15b1-3 under the Securities Exchange Act of 1934 for the filing of a Form BD, an amendment to Form BD, or Form BDW.

PROMPT RESPONSE TO ANY REQUEST MADE BY THE COMMISSIONER FOR ADDITIONAL INFORMATION OR DOCUMENTS PERTINENT TO THE APPLICATION IS IMPERATIVE. FAILURE TO SUBMIT THE REQUESTED INFORMATION WITHIN A REASONABLE TIME MAY CAUSE THE APPLICATION TO BE ABANDONED.

